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Housing Authority of the Town of Erath Erath, Louisiana

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General Purpose Financial Statements and
Independent Auditors Reports
As of and for the Year Ending December 31, 2000
With Supplemental Information Schedules

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-15-01

WILLIAM DANIEL McCASKILL, CPA
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**INDEPENDENT AUDITOR'S REPORT
UNQUALIFIED OPINION ON GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Commissioners
Housing Authority of the Town of Erath
Erath, Louisiana

I have audited the accompanying general purpose financial statements of the Housing Authority of the Town of Erath (PHA) as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the PHA's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and provisions of the Louisiana Governmental Audit Guide. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly in all material respects, the financial position of the Housing Authority of the Town of Erath as of December 31, 2000, and the results of its operations and changes in its surplus for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated May 23, 2001 on my consideration of the PHA's internal control over financial reporting and my tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the PHA taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and Financial Data Schedule are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non Profit organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements and any other included supplementary information taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners of the PHA, and for filing with the Department of HUD and should not be used for any other purpose.



William Daniel McCaskill, CPA
A Professional Accounting Corporation

May 23, 2001

**Housing Authority of the Town of Erath
Erath, Louisiana
Combining Balance Sheet - All Funds
As of December 31, 2000**

SCHEDULE A

Page 1 of 2

	<i>Low Rent Public Housing</i>	<i>General Fixed Assets Account Group</i>	<i>Total</i>
<hr/>			
<u>Assets</u>			
Current Assets:			
Cash - Unrestricted	\$ 10,742	\$ -	\$ 10,742
Cash - Tenant Security Deposits	5,228	-	5,228
Total Cash	<hr/> \$ 15,970	<hr/> \$ -	<hr/> \$ 15,970
Accounts Receivable - HUD Other Projects	6,153	-	6,153
Total Accounts Receivable, Net of Allowance	<hr/> \$ 6,153	<hr/> \$ -	<hr/> \$ 6,153
Interprogram Due From	\$ -	\$ -	\$ -
Investments - Unrestricted	201,255	-	201,255
Prepaid Expenses and Other Assets	13,094	-	13,094
Inventories	4,234	-	4,234
Total Other Assets	<hr/> \$ 218,583	<hr/> \$ -	<hr/> \$ 218,583
Total Current Assets	<hr/> \$ 240,706	<hr/> \$ -	<hr/> \$ 240,706
Noncurrent Assets:			
Land	\$ -	\$ 57,707	\$ 57,707
Buildings	-	2,574,036	2,574,036
Furniture, Equipment & Machinery - Dwellings	-	119,412	119,412
Furniture, Equipment & Machinery - Administration	-	42,888	42,888
Leasehold Improvements	-	314,305	314,305
Accumulated Depreciation	-	-	-
Construction In Progress	-	-	-
Total Fixed Assets, Net of Accumulated Depreciation	<hr/> \$ -	<hr/> \$ 3,108,348	<hr/> \$ 3,108,348
Other Assets	\$ 154	\$ -	\$ 154
Total Noncurrent Assets	<hr/> \$ 154	<hr/> \$ 3,108,348	<hr/> \$ 3,108,502
Total Assets	<hr/> \$ 240,860	<hr/> \$ 3,108,348	<hr/> \$ 3,349,208

See notes to financial statements

**Housing Authority of the Town of Erath
Erath, Louisiana
Combining Balance Sheet - All Funds
As of December 31, 2000**

SCHEDULE A

Page 2 of 2

	<i>Low Rent Public Housing</i>	<i>General Fixed Assets Account Group</i>	<i>Total</i>
<u>Liabilities and Equity</u>			
Current Liabilities:			
Accrued Compensated Absences	\$ -	\$ -	\$ -
Accrued Wage/Payroll Taxes Payable	-	-	-
Accounts Payable < 90 Days	-	-	-
Accounts Payable - HUD PHA Programs	8,304	-	8,304
Accounts Payable - Other Government	4,804	-	4,804
Tenant Security Deposits	5,228	-	5,228
Deferred Revenues	-	-	-
Current Portion of LT Debt - Capital Projects	-	-	-
Accrued Liabilities - Other	182	-	182
Interprogram Due To	-	-	-
Total Current Liabilities	\$ 18,518	\$ -	\$ 18,518
Noncurrent Liabilities:			
Long-term Debt, Net of Current - Capital Projects	\$ -	\$ -	\$ -
Noncurrent Liabilities - Other	-	-	-
Total Noncurrent Liabilities	\$ -	\$ -	\$ -
Total Liabilities	\$ 18,518	\$ -	\$ 18,518
Equity:			
Investment in General Fixed Assets	\$ -	\$ 3,108,348	\$ 3,108,348
Total Contributed Capital	\$ -	\$ 3,108,348	\$ 3,108,348
Undesignated Fund Balance/Retained Earnings	\$ 222,342	\$ -	222,342
Total Equity	\$ 222,342	\$ 3,108,348	\$ 3,330,690
Total Liabilities and Equity	\$ 240,860	\$ 3,108,348	\$ 3,349,208

See notes to financial statements

**Housing Authority of the Town of Erath
Erath, Louisiana
Combining Statement of Revenue, Expenses
and Changes in Fund Balances
For Fiscal Year Ending December 31, 2000**

SCHEDULE B

Page 1 of 2

	<i>Low Rent Public Housing</i>	<i>General Fixed Assets Account Group</i>	<i>Total</i>
Revenues:			
Net Tenant Rental Revenue	\$ 100,821	\$ -	\$ 100,821
Net Tenant Revenue - Other	-	-	-
Total Tenant Rental Revenue	\$ 100,821	\$ -	\$ 100,821
HUD PHA Grants	\$ 71,620	\$ -	\$ 71,620
Gain/Loss on Sale of Fixed Assets	-	-	-
Investment Income - Unrestricted	8,274	-	8,274
Other Revenue	583	-	583
Total Other Revenue	\$ 80,477	\$ -	\$ 80,477
Total Revenue	\$ 181,298	\$ -	\$ 181,298
Operating Expenses:			
Administrative Salaries	\$ 34,656	\$ -	\$ 34,656
Auditing Fees	3,750	-	3,750
Compensated Absences	-	-	-
Employee Benefit Contributions-Administrative	9,036	-	9,036
Other Operating - Administrative	14,521	-	14,521
Water	4,922	-	4,922
Electricity	31,157	-	31,157
Gas	710	-	710
Other Utilities Expense	2,494	-	2,494
Ordinary Maintenance & Operations-Labor	19,188	-	19,188
Ordinary Maintenance & Operations-Materials	13,191	-	13,191
Ordinary Maintenance & Operations-Contract	18,992	-	18,992
Employee Benefit Contributions-Maintenance	5,003	-	5,003
Insurance Premiums	16,519	-	16,519
Other General Expenses	(477)	-	(477)
Payments in Lieu of Taxes	6,154	-	6,154
Bad Debt - Other	-	-	-
Interest Expense	-	-	-
Total Operating Expenses Before Depreciation	\$ 179,816	\$ -	\$ 179,816

See notes to financial statements

**Housing Authority of the Town of Erath
Erath, Louisiana
Combining Statement of Revenue, Expenses
and Changes in Fund Balances
For Fiscal Year Ending December 31, 2000**

SCHEDULE B
Page 2 of 2

	<i>Low Rent Public Housing</i>	<i>General Fixed Assets Account Group</i>	<i>Total</i>
Excess Revenue Over Expenses Before Depreciation	\$ 1,482	\$ -	1,482
Extraordinary Maintenance	28,079	-	28,079
Casualty Losses - Non-Capitalized	-	-	-
Housing Assistance Payments	-	-	-
Depreciation Expense	-	-	-
Operating Transfers - In	-	-	-
Operating Transfers - Out	-	-	-
Net Operating Income (Loss) After Depreciation	<u>\$ (26,597)</u>	<u>\$ -</u>	<u>\$ (26,597)</u>
Beginning Equity @ 12/31/99	\$ 284,264	\$ 3,108,348	\$ 3,392,612
Net Operating Income (Loss) After Depreciation	(26,597)	-	(26,597)
Prior Period Adjustments	(35,325)	-	(35,325)
Capital Outlays Enterprise Fund	-	-	-
Ending Equity @ 12/31/00	<u>\$ 222,342</u>	<u>\$ 3,108,348</u>	<u>\$ 3,330,690</u>

See notes to financial statements

**Housing Authority of the Town of Erath
Erath, Louisiana**

EXHIBIT C
Page 1 of 1

**Combined Statement of Revenues & Expenditures - Budget vs. Actual
Low Rent Public Housing Program
For Fiscal Year Ending December 31, 2000**

	Budget (HUD 52599)	Actual (Sch 3, Col B)	Variance Actual-Budget Over (Under)
Revenues			
Local Sources:			
Total Tenant Rental Revenue	\$ 100,840	\$ 100,821	\$ (19)
Investment Income - Unrestricted	8,280	8,274	(6)
Receipts from Sale of Equipment	-	-	-
Other Revenue	590	583	(7)
Federal Sources:			
Operating Subsidy / HUD PHA Grants	71,620	71,620	-
Annual Contributions	-	-	-
Total Revenues	<u>\$ 181,330</u>	<u>\$ 181,298</u>	<u>\$ (32)</u>
Expenditures			
Administrative	\$ 52,950	\$ 38,405	\$ (14,545)
Other Operating - Administrative		14,045	14,045
Utilities	39,300	39,283	(17)
Ordinary Maintenance & Operations	51,390	51,371	(19)
Employee Benefit Contributions		14,039	14,039
Other General Expenses	36,720	16,519	(20,201)
Payments in Lieu of Taxes		6,154	6,154
Nonroutine Maintenance	28,080	28,079	(1)
Capital Expenditures		-	-
Housing Assistance Payments		-	-
Total Expenditures	<u>\$ 208,440</u>	<u>\$ 207,895</u>	<u>\$ (545)</u>
Excess Revenues (Deficiency) Over Expenses	<u>\$ (27,110)</u>	<u>\$ (26,597)</u>	<u>\$ 513</u>

See notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

Housing Authorities are chartered as a public corporation under the laws (LSA-RS 40:391) of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of Erath, Louisiana. This creation was contingent upon the local governing body of the city, county, or parish as applicable. A five member Board of Commissioners governs the PHA. The members, appointed by the Mayor of Erath, Louisiana, serve a four year staggered term.

Under the United States Housing Act of 1937, as amended, the US Department of HUD has direct responsibility for administering low rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the PHA for the purpose of assisting the PHA in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the PHA for the purpose of maintaining this low rent character.

Note 1 – Summary of Significant Accounting Policies:

A. Basis of Presentation

The accompanying financial statements of the PHA have been prepared in conformity with GAAP as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

GASB Statement Number 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the PHA is legally separate and fiscally independent by being solely accountable for fiscal matters, including (1) budget authority, (2) responsibility for funding deficits and operating deficiencies, (3) fiscal management for controlling the collection and disbursement of funds, (4) authority to issue debt, the PHA is a separate governmental reporting entity. The PHA includes all funds, account groups, activities that are within the oversight responsibility of the PHA.

Certain units of local government over which the PHA exercised no oversight responsibility, such as the school boards, parish police jury, other independently elected parish officials, and municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate entities and issue financial statements separate from those of the PHA.

**Housing Authority of the Town of Erath
Erath, Louisiana**

C. *Fund Accounting*

The PHA uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net spendable financial resources.

Funds of the PHA are classified in three categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental funds--Governmental funds account for all or most of the PHA's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition of construction of general fixed assets, and the servicing of general long term debt. Governmental funds include:

1. General Fund--the general operating fund of the PHA accounts for all financial resources, except those required to be accounted for in other funds.
2. Debt Service Fund--accounts for transactions relating to resources retained and used for the payment of principal and interest on those long term obligations recorded in the general long term obligations account group.
3. Capital Projects Funds--account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Fiduciary Funds--Fiduciary funds account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the PHA. Fiduciary funds include:

1. Tenant Security Deposits--accounts for assets held by the PHA as an agent for the individual residents. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Housing Authority of the Town of Erath
Erath, Louisiana**

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating Statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting as used by all governmental funds and agency funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues--Federal entitlements are recorded as unrestricted grants-in-aid when available and measurable. Federal restricted grants are recorded when the reimbursable expenditures have been incurred.

Rental income is recorded in the month earned.

Interest earnings on time deposits are recorded when the time deposits have matured and the interest is available. Interest income on interest bearing demand deposits is recorded each month when credited by the bank to the account.

Substantially all other revenues are recorded when they become available to the PHA.

Expenditures--Salaries are recorded as expenditures when paid.

Purchases of various operating supplies are recorded as expenditures in the accounting period they are purchased.

Compensated absences are recognized as expenditures when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death, while the cost of leave privileges not requiring current resources is recorded in the general long term obligations account group.

Principal and interest on general long term debt are recognized when due.

Substantially all other expenditures are recognized when the related fund liability has been incurred.

Other Financing Sources (Uses)--Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long term debt proceeds, and the like) are accounted for as other financing sources (uses). These other financing sources are recognized at the time the underlying events occur.

Deferred Revenues--The PHA reports deferred revenue on its combined balance sheet. Deferred revenues arise when resources are received by the PHA before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying

**Housing Authority of the Town of Erath
Erath, Louisiana**

expenditures. In subsequent periods, when the PHA has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

E. Budgets

The following summarizes the budget activities of the PHA during the fiscal year:

1. The PHA adopted budgets for the General Fund, the Special Revenue Fund and the Capital Projects Funds. The Capital Projects Funds budget comparison to actual has not been included since the cash project is a multiple year endeavor.
2. The budgets are prepared on the modified accrual basis of accounting. All appropriations lapse at year end.
3. Encumbrances are not recognized within the accounting records for budgetary purposes.
4. Formal budget integration (within the accounting records) is employed as a management control device.
5. The Executive Director is authorized to transfer amounts between line items within any fund, with the exception of salaries, provided such does not change the total of any function. However, when actual revenues within a fund fail to meet budgeted revenues by 5% or more, a budget amendment is adopted by the PHA in an open meeting. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

F. Encumbrances

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed. However, outstanding purchase orders are taken into consideration before expenditures are incurred in order to assure that applicable appropriations are not exceeded. In addition, the monthly budget reports are reviewed to ensure compliance with the budget, and where necessary, revisions to the budget are made.

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits and cash with fiscal agents. Under state law, the PHA may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law and national banks having their principal offices in Louisiana.

**Housing Authority of the Town of Erath
Erath, Louisiana**

H. Short Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short term interfund loans are classified as interfund receivables/payables.

I. Inventory

All purchased inventory items are valued at the lower of cost (first in, first out) or market. Purchased inventories are offset by a fund balance reserve, which indicates that these do not constitute "available spendable resources", even though they are a component of total assets.

Acquisition of materials and supplies are accounted for on the purchase method, that is, the expenditure is charged when the items are purchased.

J. Fixed Assets

Fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures such as sidewalks and parking lots are capitalized. Interest expense during construction is capitalized. Depreciation has not been provided on general fixed assets.

K. Compensated Absences

The PHA follows Louisiana Civil Serviced regulations for accumulated annual and sick leave. Employees may accumulate up to 300 hours of annual leave, which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the governmental funds when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death, while the cost of leave privileges not requiring current resources is recorded in the general long term obligations account group. Leave benefits are based on accrued leave benefits or employees with 10 years service to a maximum of 25 days at their current annual salary.

L. Long Term Obligations

Long term obligations expected to be financed from governmental funds are reported in the general long term obligations account group. Expenditures for principal and interest payments for long term obligations are recognized in the governmental funds when due.

**Housing Authority of the Town of Erath
Erath, Louisiana**

M. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

N. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Total Columns on Combined Statements

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2 -- Cash and Cash Equivalents:

At December 31, 2000, the PHA has cash and cash equivalents as follows:

Interest Bearing Demand Deposits	\$ 15,970
Tenant Security Deposits	\$ 5,228
Investments	\$ 201,255
TOTAL	\$ 222,453

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2000, the PHA has \$222,453 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$122,453 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the PHA that the fiscal agent has failed to pay deposited funds on demand.

**Housing Authority of the Town of Erath
Erath, Louisiana**

Note 3 – Accounts Receivable:

At December 31, 2000, the PHA has accounts receivable as follows:

Low Rent Vendors	\$ 0
HUD Other Projects	\$ 6,153
TOTAL	\$ 6,153

Note 4 – Fixed Assets

At December 31, 2000, the PHA has fixed assets as follows:

Beginning Balance	\$ 3,108,348
Net Change	\$ 0
Ending Balance	\$ 3,108,348

Note 5 – Retirement System

The entity provides benefits for all full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a six month exclusionary period. The employee contributes 5% and the entity contributes 8% of the employee's base monthly salary. The entity's contributions for each employee (and interest allocated to the employee's account) vest as 20% annually for each year of participation. An employee is fully vested after 5 years of participation.

The PHA's total payroll for fiscal year ended December 31, 2000 was \$53,844. The PHA's contributions were calculated using the base salary amount of \$53,844. Both the PHA and the covered employees made the required contributions for the year ended December 31, 2000. For the year ended December 31, 2000 the employee contributions to the plan totaled \$2,692, and the PHA contributions to the plan totaled \$4,308.

Note 6 – Accounts Payable

At December 31, 2000, the PHA has accounts payable as follows:

General Fund Vendors & Tenant Security Deposits	\$ 18,518
Capital Projects Fund Vendors	\$ 0
TOTAL	\$ 18,518

**Housing Authority of the Town of Erath
Erath, Louisiana**

Note 7 -- Compensated Absences

At December 31, 2000, employees of the PHA have accumulated and vested -0- of employee leave benefits, which was computed in accordance with GASB Codification Section C60. This amount is not expected to be paid from current available resources; therefore the liability is recorded within general long term obligations account group.

Note 8 -- Changes in Agency Fund Deposits Due Others

At December 31, 2000, changes in agency fund deposits due other are:

Beginning Balance Tenant Security Deposits	\$ 5,221
Net Change	\$ 7
Ending Balance Tenant Security Deposits	\$ 5,228

Note 9 -- Changes in General Long Term Obligations

All PHA long term obligations are either HUD debt and/or HUD guaranteed debt that has been serviced directly by HUD. Therefore, all debt has been reclassified as HUD surplus contributions.

Note 10 -- Interfund Assets / Liabilities

None

Note 11 -- Commitments and Contingencies

There are certain major construction projects at December 31, 2000. As approved by HUD, the projects are funded by HUD.

The PHA participates in a number of state and federally assisted grant programs. Although the current grant programs have been audited through December 31, 2000 in accordance with the Single Audit Act of 1996, these programs are still subject to compliance audits. PHA management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

**Housing Authority of the Town of Erath
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Note 12 – Prior Period Adjustments

Low Rent Public Housing	
Insurance check from prior period	\$ (2,966)
Adjust FYE 12/91 adjustments	\$ (1,400)
Reclassify prepaid insurance	\$ (25,928)
Restate BSA imbalance	\$ (1,127)
Charge against PILOT 2000	\$ 4,400
Set up payables to HUD	\$ (8,304)
TOTAL	\$ (35,325)

**Housing Authority of the Town of Erath
Erath, Louisiana
Expenditures of Federal Awards
For Fiscal Year Ending December 31, 2000**

SCHEDULE I

Page 1 of 1

<i>CFDA #</i>	<i>Name of Federal Program</i>	<i>Federal Award Expenditure</i>
14.850a	Low Rent Public Housing	71,620
	Total Federal Expenditures	<u>\$ 71,620</u>

See notes to financial statements

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

Board of Commissioners
Housing Authority of the Town of Erath
Erath, Louisiana

I have audited the financial statements of the Housing Authority of the Town of Erath (PHA), as of and for the year ended December 31, 2000 and have issued my report thereon dated May 23, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the PHA's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the PHA's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control

**Housing Authority of the Town of Erath
Erath, Louisiana**

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components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and for HUD. However, this report is a matter of public record and its distribution is not limited.



William Daniel McCaskill, CPA
A Professional Accounting Corporation

May 23, 2001

WILLIAM DANIEL McCASKILL, CPA
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Housing Authority of the Town of Erath
Erath, Louisiana

Compliance

I have audited the compliance of the Housing Authority of the Town of Erath (PHA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2000. The PHA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the PHA's management. My responsibility is to express an opinion on the PHA's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the PHA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the PHA's compliance with those requirements.

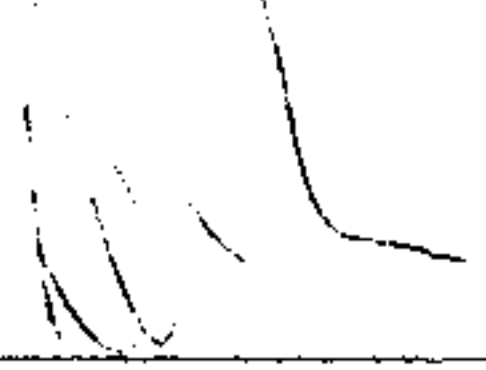
In my opinion, the PHA's complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000.

Internal Control Over Compliance

The management of the PHA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the PHA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and HUD. However, this report is a matter of public record and its distribution is not limited.



William Daniel McCaskill, CPA
A Professional Accounting Corporation

May 23, 2001

Housing Authority of the Town of Erath
Erath, Louisiana

SCHEDULE OF PRIOR AUDIT FINDINGS

There were no findings in the prior audit.

Housing Authority of the Town of Erath
Erath, Louisiana

SCHEDULE OF AUDIT ADJUSTING JOURNAL ENTRIES

None

***SCHEDULE OF CURRENT AUDIT FINDINGS
AND QUESTIONED COSTS***

Per A-133, Section 505(d)

1. Summary Schedule of Auditors Results:

- i. The report includes an unqualified opinion on the financial statements.
- ii. There were no reportable conditions in internal controls found that are required to be disclosed at the financial statement level.
- iii. The audit disclosed no noncompliance that is material to the financial statements.
- iv. No reportable conditions in internal control over major programs were disclosed by the audit.
- v. The compliance report issued for major programs was unqualified.
- vi. The report disclosed no audit findings required to be reported under Section 510a of A-133.
- vii. All major programs have oversight by HUD and are identified as follows:

<u>CFDA#</u>	<u>Name of Program</u>
14.850	Low Rent Public Housing

- viii. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
 - ix. The auditee was not considered a low risk auditee.
2. Finding relating to the financial statements required to be reported with GAGAS are as follows: NONE
3. Findings and questioned costs for Federal awards as defined in A-133, Section 510a all with HUD oversight: NONE

Housing Authority of the Town of Erath
Erath, Louisiana

SCHEDULE OF CORRECTIVE ACTION PLAN

None